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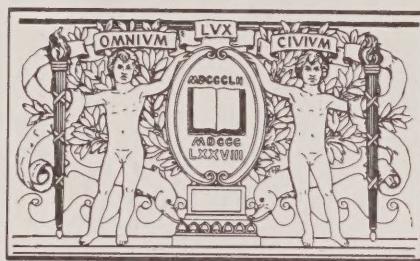
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The Massachusetts Miracle: Boston's Role

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The Massachusetts miracle is real. The growth record is extraordinary.

And Boston is proud to be a prime mover.

From 1976 to 1986 Massachusetts gained 853,000 jobs, a rise of 31 percent, in one decade, surpassing the 26 percent increment for the nation as a whole. In December 1987, Massachusetts posted a jobless rate of 2.9 percent, and closed the year with an annual average rate of 3.2 percent, the lowest in the State's history. The miracle in the numbers of jobs created , is, by now, well-known.

Less well understood is the substantial upgrading of the jobs, and the impact on income generation and tax revenue multiplication. Massachusetts' per capita income had risen from 5 percent above the national average, in 1976, to 21 percent higher in 1986. As a consequence, Massachusetts' personal income had mushroomed from \$40 billion, in 1976, to \$103 billion, in 1986, with all of the unforeseen flow of unprecedeted levels of state tax revenue.

Even less well appreciated is the dynamo role of Boston's preeminent expanding broad-based services economy as the fulcrum of the State's prosperity. Boston has emerged as a job machine, with a ratio of jobs to population second only to the nation's capital. Equally significant, Boston's jobs are upscale, with average annual wages 16 percent above those of the State as a whole, in 1986, and consistently exceeding those of the statewide averages in each of the last 10 years. With Massachusetts' employment growth in finance and services accounting for 60 percent of all job growth, 1976-1986, (in comparison with the three percent contribution of manufacturing), and with Boston's wage levels setting the pace for personal income flows and tax revenue generation, it can truly be said that Boston is a key to the Massachusetts' miracle. In effect, Boston's 108,000 jobs gain

since 1976 (50,000 since 1983), and the more than doubling of Boston's annual average wages over the decade, helped spur the enormous advance in Massachusetts jobs, income and revenue.

As a consequence of job growth and upgrading, the corresponding flow of income, and the accelerated collection of delinquent taxes, the Massachusetts' revenue yield has increased three-fold, from \$2,728 million, in 1976, to \$7,484 million, in 1986, and \$8,097, in 1987. (Personal income had expanded 2.6 times, 1976-1986, and revenue 2.7 times, in that period).

Boston is also happy to note that its bounty spills over to Massachusetts cities and towns, which provide the 60 percent of Boston's workforce commuting to work daily. Suburban commuters do well in Boston. It is significant to note that for the 25 Massachusetts' cities and towns with the highest levels of per capita income, in 1986, (as reported in December 1987, by the U.S. Census Bureau and the Massachusetts Institute of Social and Economic Research), twenty-five percent of their labor force worked in Boston. For Weston, topping the list with a per capita income of \$35,260, in 1986, 26 percent of the employed labor force worked in Boston. In Dover, second highest with a 1986 per capita income of \$28,525, 24.5 percent of the employed labor force worked in Boston. In contrast, in the 25 cities and towns with the lowest per capita income in Massachusetts, in 1986, only 2.4 percent of the employed labor force worked in Boston. (In that same year, 1986, the average per capita income was \$12,510 in the State and \$10,774 in Boston).

Additional key aspects of Boston's dynamo role should be noted:

The City of Boston generates nearly \$21 billion for the Commonwealth's economy. Boston, with only 10 percent of the state's population, provides 18.5 percent of all jobs and 21 percent of the goods and services produced in Massachusetts.

Boston is the pre-eminent services economy, and exporter of services, among the nation's large cities. In 1984, the most recent year for which comparable data are available, Boston ranked highest with 57 percent of its employment in services, finance, transportation and communication, in comparison with 56 percent in San Francisco, and 53 percent in New York City, the runner-up metropolises. Boston also led the way as an exporter of services, with its 35 percent share of services employment dedicated to exports, surpassing the relative size of the services export role in San Francisco and New York City. Boston's services activities, dominated by professional and business services, higher education and medicine, money management and communications, are addressed to the needs of the metro area, state, New England region, the nation and the world.

Boston's favorable economic trends mirror that of the region it serves. The U.S. Bureau of Economic Analysis reported, in April 1987, that "In 1986, the largest percentage gains in per capita income were in the high growth regions --- New England and the Mideast.... In both regions, per capita income has increased faster than the national average in every year since 1980". New England had the highest growth rate (6.5 percent) of the nation's eight regions. The Massachusetts rate was 6.9 percent. New England's good times, as well as that of the metro area and the state, rest on an expanding economic base favoring durable manufactures - machinery, electrical machinery, instruments (including high-tech), fabricated metals, and transportation equipment - and region-wide growth in the broad range of services activities. Boston's per capita income growth has exceeded that of the metro area, state, New England region, and the nation, since 1982, reflecting the upscale occupations and income of a growing share of its labor force and the quality of the city's jobs.

Development construction in Boston totalled \$5 billion in the four year period, 1984-1987, including \$2.3 billion in office space, \$920 million in retail, hotel and exhibit space, and \$834 million in housing.

Boston's Class A Office market, with a third quarter 1987 vacancy rate of 6.4 percent, significantly outperformed other major U.S. office markets, according to the latest publication of the Houston based "Office Network Report", with lower vacancy and higher absorption rates than those in New York, San Francisco, Los Angeles, Chicago, Washington, D.C., Atlanta, Houston, Dallas and Denver.

Qualified national observers foresee a continuation and further improvement in Boston's dynamo role. The Washington, D.C. based National Planning Association projects a job growth of 750,000 for the Boston metro area by the year 2000, an increase that would be second only to that for Los Angeles. The U.S. Bureau of Economic Analysis, looking to the year 2000, projects gains in rank for the Boston Metro Region, from 7th highest in the nation to 6th in personal income, from 6th to 5th in population, and from 5th highest to 4th highest in employment, among the nation's 330 metro areas. The U.S. Labor Department, in a September 1987 report with projections of employment for the nation as a whole, to the year 2000, foresees the most rapid rates of growth in a broad range of services activities in which Boston has a relative concentration.

Boston is also a cultural, educational, and health care center, over and above its role as job, income, and revenue machine in Massachusetts. Almost 8 million people visit the Boston area each year, generating \$5 billion for the economy of the region. Boston's museums, universities, hospitals, hotels, restaurants, conventions, upscale shopping facilities, historic sites and arts draw millions of visitors to the city each year, fueling the economy and

bringing to New England future entrepreneurs and business growth.

The uniquely important role that Boston plays in the state and regional economy is not always sufficiently well understood, and this report, therefore, is intended to make the record more complete. Boston accounts for almost 22 percent of overall State tax collections, but the capital city itself faces a long-term fiscal problem. Boston's own revenues do not grow at a rate sufficient to match the projected increase in costs and the financial demands of economic growth. As a consequence of federal aid cutbacks, and property tax limitation, with all of the munificence of State, Boston's revenues are less than they were, in 1980, measured in dollars of constant value.

